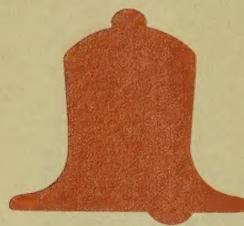
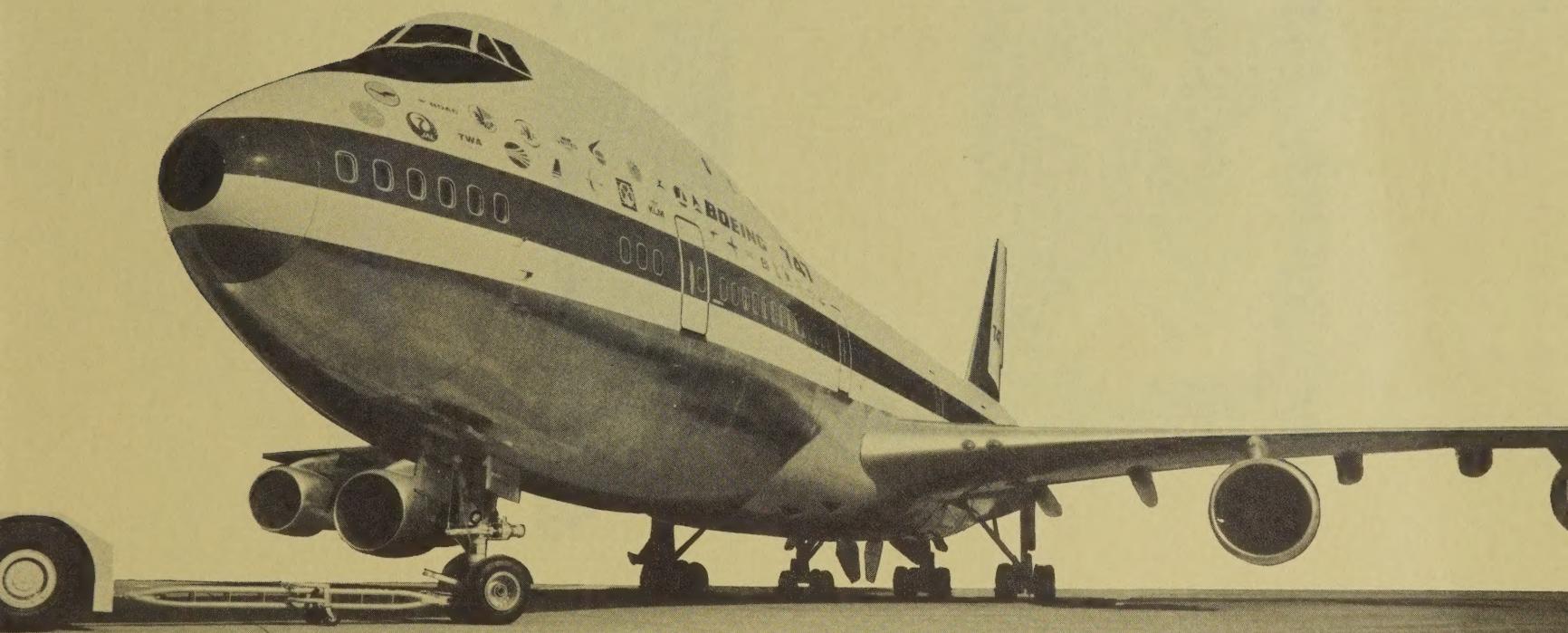


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# CAPTAIN READY TO MEET CHALLENGE OF TRAVEL BOOM

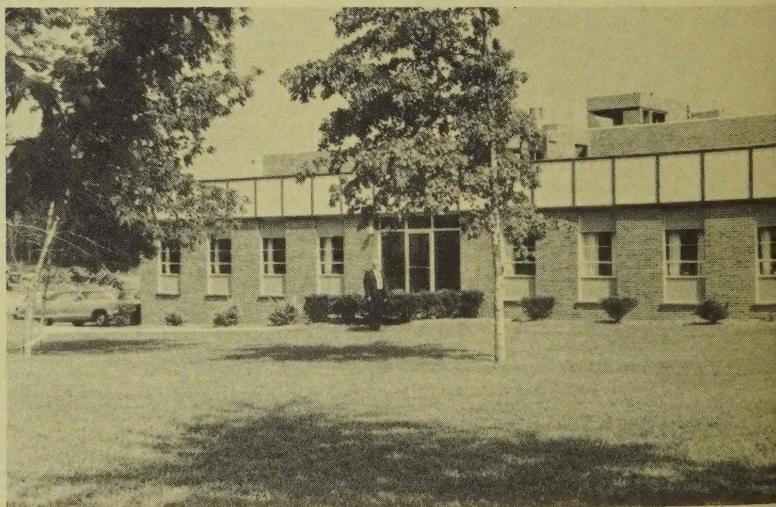


REPORT TO SHAREHOLDERS SEPTEMBER 1968

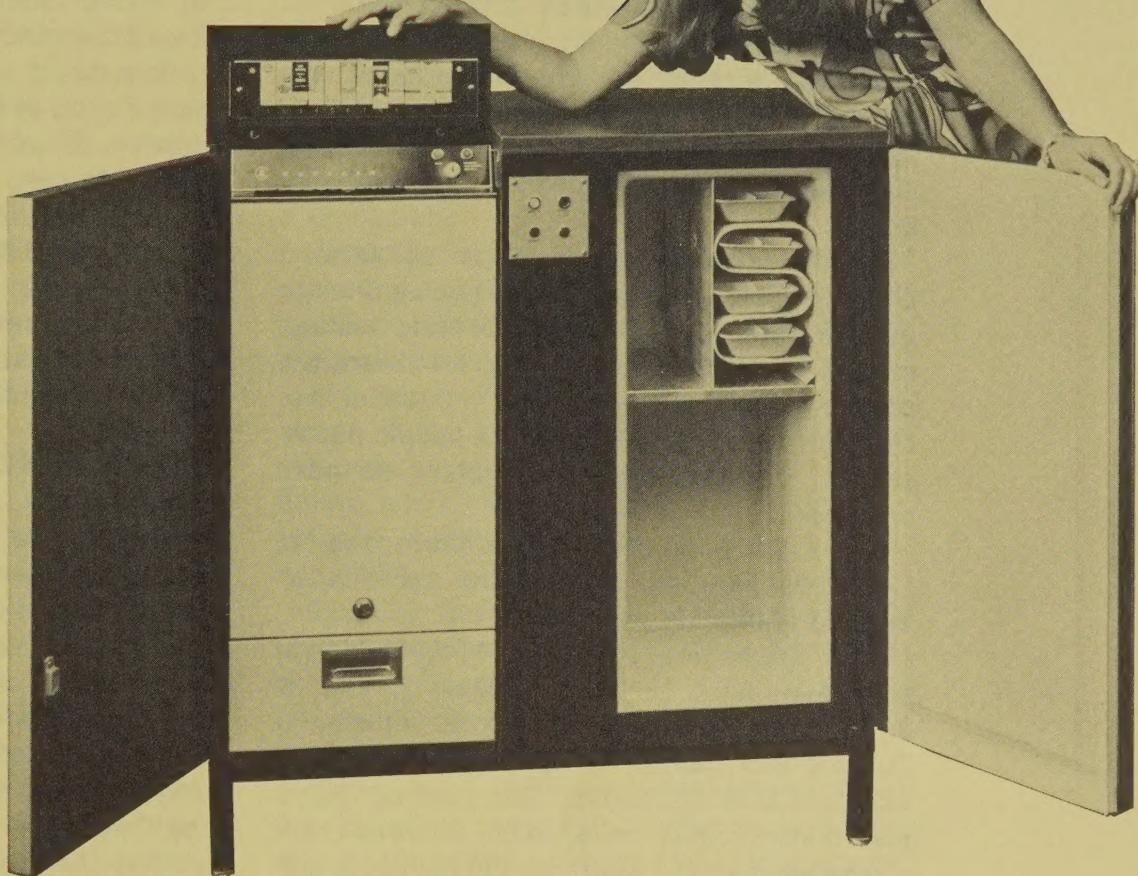
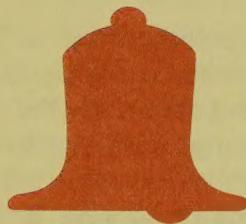
CAPTAIN INTERNATIONAL INDUSTRIES LTD.  
CAPTAIN INTERNATIONAL INDUSTRIES INC.

- Cover shows the first of the superjets, a giant Boeing 747 transport, which was rolled out for first public inspection on September 30. These, and other planes like them, will radically change world travel habits in the 70's. Captain International's products will be an integral part of the expected travel and hospitality boom.

- Shown on this page is Captain's manufacturing plant at Montgomeryville, Pa., with a current production run of 500 units monthly.



# REPORT TO THE SHAREHOLDERS



The international hospitality industry stands on the threshold of its biggest and most prolonged forward thrust in history.

Across this country, throughout the rest of North America, Britain and Continental Europe, a growing awareness exists for the need to expand to meet the travel needs of an accelerating future. This expansion, coupled with significant upgrading of services, is happening, now.

A typical example of this boom was cited in a recent survey of motor hotel construction prepared for Hospitality Publications of the United States — an over-all building rate of 180 new rooms per day. Motor hotels only at the end of 1967 numbered 5,825 with 581,800 units compared with 5,274 and 515,800 units the year before.

In Europe, the story is the same. Surveys by your company have shown 500,000 new and remodelled hotel rooms, with vastly im-

proved services, are planned between now and the end of 1970.

The European industry has quickly learned that to compete in a rapidly-shrinking world of tourist travel and international commerce, its hotel/motel services must be upgraded.

More people are travelling to more countries for more reasons. And with the introduction of 360-passenger superjets in 1969 and supersonic transports two years later, it seems reasonable to expect the increase in travel will be even more rapid because of expected lower fares.

These are people who will be using hotels/motels and expecting efficient, first-class service as they check in and during their stay. It will mean radical changes in front-desk procedure, more automation, more comfort, more convenience. With the whole hospitality industry, the unwritten order has gone out. Get ready, fast.

## CAPTAIN READY TO MEET CHALLENGE

In all this development, your company has also been making its own preparations. We are fully aware that the equipment we are now manufacturing and constantly refining will play an important part in the hospitality boom.

As the pressure began for an accelerated building pace, your company was going through its own development period. We were testing, modifying, tooling, researching, all toward the production and sale of a better product at less cost. We were also gathering the people necessary to run the kind of company we have planned.

As of June 30 this year, Captain and its U.S. subsidiary had reached the manufacturing and marketing plateau.

The production level at Montgomeryville plant has been steadily increasing, and is presently at the level of 500 units per month. To date Bell Captain is operating in approximately 1,000 bedrooms. Our backlog totals just under 3,000 units most of which are scheduled for new bedrooms presently under construction. Through careful planning, increased production to meet expected increased sales does not present a major problem.

## MODIFICATIONS MEAN BETTER RESULTS

The Bell Captain units now being produced are different in several areas than those in initial production runs.

A new refrigerator unit has replaced the earlier thermal unit. Generally larger, it also has more than double the ice-making capacity of the earlier model.

Twelve larger columns now permit us to merchandise a wider variety of products. The mechanics of the vend operation have also been streamlined.

The digital range in vend column pricing now has a greater latitude. Prices can be varied considerably.

Through continuing research and development we have substantially reduced the amount

of wiring required for the installation of Bell Captain communication systems.

The direct labour force at Montgomeryville now stands at 53. In sales, administration and service, 20 of the best people have been obtained to keep up with our growth.

Some recent appointments include —

Bernard Ryder, as manager of distributor sales;

Larry Prevost, manager, direct sales; Peter Satterthwaite, executive assistant, Marketing and Sales.

## TEMPO INCREASES IN DISTRIBUTION AND SALES

One of the most important by-products of our efforts so far, apart from firm contracts, is the recognition we have received throughout the industry.

Indicative of this recognition is the contract recently entered into to supply Bell Captain units and Communicators to the Statler Inn at Cornell University. This hotel is operated by the Cornell School of Hotel Administration and is the top training ground for hotel management. We are gratified that Bell Captain has been chosen as an industry trend setter.

For almost a year 30 machines have been under market test at the San Jeronimo Hilton hotel in San Juan, Puerto Rico. This test has been completely satisfactory. 'Hilton International' has ordered an additional 78 Bell Captain service centres for the San Jeronimo Hilton and 36 for the Jamaica Hilton. These units are now being installed.

Machines have also been installed in the Hotel Corp. of America's "Charter House" in Lynn, Mass. With regard to the Dutch Inns' contract, the units are now installed at Dutch Inns at Monterey, California, Washington, D.C., and Hendersonville, N.C.

Multiple installations have been made in Pennsylvania, Wisconsin, Maryland, Florida, Newfoundland, Quebec and England.

In connection with exposure and sales, the Captain distributor program is well advanced.

Seven distributors now serve Pennsylvania, Wisconsin, Minnesota, North Dakota, South Dakota, the northern peninsula of Michigan, New England, Florida, Arkansas, Louisiana, Newfoundland, Nova Scotia, New Brunswick and the United Kingdom.

### OVERSEAS PROGRAM ADVANCES

In Europe there is a similar progress story. Following our trade-fair display programs we have noted the rapidly changing nature of the hotel/motel industry. At an installation in the Esso Motor Inn at Maidenhead, England, the travelling habits of the U.K.-European traveller are being noted. Negotiations for other Esso installations throughout Europe are underway.

We are also pleased to report the interest of several European investment groups in participation in a joint venture plan for a direct sales organization in Europe.

As in North America we are dealing with an industry that makes changes only after great study. Because of this our education program – like the Paris Equip'd Hotel show October 10-21 – is the most important in our planning.

We know from experience that it is competition and customer demand that have brought such hotel/motel innovations as heated pools, colour television, and sauna baths. Every effort in research and sales is being expended to make our present products, and those we are developing, equally necessary in good hospitality services.

### FINANCING BACKS CAPTAIN PROGRAM

In the area of finance, you will note that your company's six-month financial statement

for the current year is included in this report.

You will note that the statement reflects the fact that our accounting has been prepared to date on the basis of a development company. Hereafter we will be reporting to you on the basis of a manufacturing and sales organization.

An underwriting in June of this year added some \$1.2 million to the company's treasury which now totals approximately \$1.3 million, adequate for the program at hand.

Mr. John J. Offner has been appointed Controller of the U.S. subsidiary, and the International Accounting firm of Touche, Ross, Bailey, and Smart have been appointed international auditors for the company and its subsidiary.

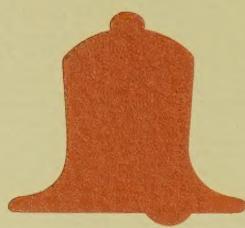
In other financial areas, it is Captain's intention to increase the company's income by controlling to some extent the brands sold in the Bell Captain and receiving funds from the firms involved.

Again, may I report on behalf of your Board that Captain International Industries is pleased and proud of the work we have done so far. May I restate my optimism about your company's future.

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

Vancouver, B.C.  
September 30, 1968

President



## CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries, Inc.)

### CONSOLIDATED BALANCE

#### ASSETS

##### CURRENT ASSETS

Cash	\$ 105,196
Short term bank deposit receipt	200,000
Accounts and notes receivable	25,288
Underwriting agreement receivable (Note 1)	1,208,000
Current portion of amount receivable under lease contract, as below	32,937
Inventory, of parts and work in progress, at cost	404,073
Prepaid expenses	4,224
AMOUNT RECEIVABLE UNDER LEASE CONTRACT (Note 2)	149,007
Current portion, as above	32,937
	116,070

##### FIXED ASSETS (Note 3)

Furniture and plant equipment, at cost less accumulated depreciation	74,054
Leasehold improvements, at cost less amounts written off	17,143
Service units, at cost	28,986
Equipment on lease to customers, at cost less accumulated depreciation	85,221
	205,404

##### OTHER ASSETS, at cost

Deposits (Note 4)	31,002
Patent costs	38,216
Tooling costs	67,863
Incorporation costs	7,262
	144,343

##### DEFERRED DEVELOPMENT EXPENSES, at cost

Balance, December 31, 1967	606,351
Expenses for the period (Exhibit B)	232,400
	838,751

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ET AS AT JUNE 30, 1968

(Prepared Without Audit)

Exhibit A

### LIABILITIES AND SHARE CAPITAL

#### CURRENT LIABILITIES

Accounts payable	\$ 133,598
Current portion of long term liabilities, as below	27,207
	<hr/>

#### LONG TERM LIABILITIES

Notes payable, secured (Note 5)	125,438
Other	6,295
	<hr/>
	131,733
Current portion, as above	27,207
	<hr/>

UNEARNED RENTAL INCOME	140,434
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#### SHARE CAPITAL

Authorized 3,000,000 common shares of no par value	
Issued 2,650,000 shares (Note 6)	
	<hr/>
	2,878,521
	<hr/>

\$3,284,286

# CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries, Inc.)

## CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT EXPENSES For the Six Months Ended June 30, 1968

(Prepared Without Audit)

Advertising	\$ 20,037
Amortization of leasehold improvements and depreciation	5,006
Automobile	4,368
Management fees and salaries	32,040
Miscellaneous	8,868
Moving, freight and duty	6,219
Office, printing and supplies	25,631
Plant - general	10,306
Professional fees	22,343
Prototype development	17,117
Rent	15,354
Salaries - general	90,250
Shows and exhibitions	3,366
Telephone	13,959
Transfer agent fees	5,629
Travel	47,247
	327,740
Gross profit on units sold	\$ 34,230
Interest earned and other income	22,767
	56,997
Deduct - Reclassification of items included as development expenses for the four months ended April 30, 1968 - reclassified as production costs	270,743
	38,343
DEFERRED DEVELOPMENT EXPENSES FOR THE PERIOD (EXHIBIT A)	\$ 232,400

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS For the Six Months Ended June 30, 1968

(Prepared Without Audit)

### SOURCE OF FUNDS

Sale of shares and share warrants	\$ 1,940,500
Recoveries on service units	2,885
Term debt financing	104,526
Unearned rental income	\$ 140,434
Non-current portion receivable	116,070
	24,364
	\$ 2,072,275

### APPLICATION OF FUNDS

Deferred development expenses for the period (Exhibit B)	232,400
Non-cash charges - depreciation and amortization	5,006
	227,394
Purchase of fixed assets	140,634
Increase in tooling costs and other assets	14,218
	382,246

### INCREASE IN WORKING CAPITAL FOR THE PERIOD, below

### WORKING CAPITAL

	Beginning of Period	End of Period
Current assets	\$ 203,141	\$ 1,979,718
Current liabilities	74,257	160,805
	128,884	1,818,913
Increase for the period above	1,690,029	
	\$ 1,818,913	\$ 1,818,913

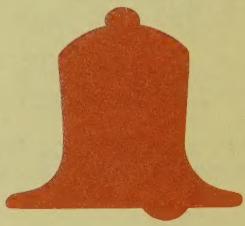
# CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries, Inc.)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS as at June 30, 1968

(Prepared Without Audit)

1. a) By an agreement dated June 26, 1968, T. K. Laidlaw Ltd. agreed to underwrite 140,000 common shares of the company at \$8.45 per share to net the treasury \$1,183,000.  
b) In consideration of the underwriter purchasing the above 140,000 shares, the company has agreed to sell to the underwriter 100,000 class "B" share warrants at the price of \$.25 per warrant to net the treasury \$25,000.
2. The amount receivable under the lease contract is collectible over a five year period from May 1, 1968 and is pledged as security for the company's indebtedness under notes payable.
3. As the consolidated operations are still in the development stage:  
a) no provision has been made for depreciation on furniture and plant equipment, service units or equipment on lease to customers other than in the accounts of the subsidiary.  
b) development expenses for the period have been capitalized as was the case in previous accounting periods.
4. Under the provisions of an agreement between the company and Hawker Siddeley Canada Ltd. dated September 2, 1965, the latter agreed to manufacture service units on behalf of the company. The contract provided for a deposit of \$30,000 and the balance payable on delivery of the machines and, in any event, on or before January 1, 1967. By mutual agreement, the terms of the original contract have been amended to provide for payment as the units are delivered. As at June 30, 1968 there remains unpaid approximately \$37,400 owing on units ordered but not delivered.
5. Notes payable are secured as set out in Note 2 above and mature over a five year period from May 1, 1968.
6. Subsequent to December 31, 1967, the date of the last published financial statements, the company issued:  
a) 350,000 shares for a cash consideration of \$1,890,500 and,  
b) 200,000 share purchase warrants for a cash consideration of \$50,000 granting rights to purchase shares as set out in Note 8 (a) below.
7. The company and its subsidiary have entered into employment contracts with two key employees (Vice-President — Operations and Vice-President — Marketing). The contracts, commencing February 1, 1967 extend over a period of five years and provide for stock options (as set out in Note 8 (b) hereunder), salaries and commissions.
8. The parent company has granted options for the purchase of its shares, as follows:  
a) Under the terms of warrants issued (see Note 6 above) —  
    100,000 shares at \$4.00 per share, expiring November 30, 1972 and  
    100,000 shares at \$8.45 per share, expiring July 8, 1973.  
b) to each key employee mentioned in Note 7 above — 45,000 shares at \$.75 per share; exercisable during the five-year period from February 1, 1967 to January 31, 1972 at the rate of 10,000 shares per year, such options being on a cumulative basis from year to year.  
c) to its managing director — 25,000 shares at \$3.50 per share; exercisable until November 30, 1968.  
d) to other employees:  
    i) a total of 25,000 shares at \$5.10 per share, such options expiring on February 26, 1973, and,  
    ii) 5,000 shares at \$5.28 per share, such options expiring on April 11, 1973  
    the options under this part being exercisable annually at rates totalling 5,000 shares and 1,000 shares respectively, and being on a cumulative basis from year to year.
9. Subsequent to June 30, 1968, the key employees mentioned in Note 8 (b) above exercised their options on a total of 30,000 shares for a total cash consideration of \$22,500 and the managing director exercised his option to purchase 25,000 shares at \$3.50 for a total cash consideration of \$87,500.
10. The subsidiary has entered into a contract for the lease of office facilities and a manufacturing plant in Montgomeryville, Pennsylvania for a period of ninety months from January, 1968, at an annual rental of \$22,750 (U.S. funds).
11. Except as stated in Note 10 the amounts shown in these financial statements are expressed in Canadian funds; U.S. funds have been converted at 8%.
12. The accompanying financial statements do not include comparative figures as at June 30, 1967 because the subsidiary company was not in full operation during the six months then ended.



**CAPTAIN INTERNATIONAL INDUSTRIES LTD.** 890 West Pender Street, Vancouver, B.C. (604) 682-6861



No Securities Commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

This Prospectus is not, and under no circumstances is to be construed as, a public offering of these securities for sale in the United States of America or in the territories or possessions thereof.

**New Issue**

# Captain International Industries Ltd.

Incorporated under the laws of the Province of British Columbia

Head Office  
600 - 890 West Pender Street  
Vancouver, B.C.

Registered Office  
1250 - 505 Burrard Street  
Vancouver, B.C.

## 200,000 Common Shares

without nominal or par value

The shares offered hereby are speculative securities. The price therefor was established by negotiation between the Underwriter and the Company. See "Speculative Nature of the Securities" on page 5 hereof.

	Price to Public	Underwriting Discount	Proceeds to Company (1)
Per Share	\$4.00	\$.50	\$3.50
Total	\$800,000	\$100,000	\$700,000

(1) Before deduction of expenses payable by the Company estimated at \$10,000.00.

We, as principals, offer these 200,000 common shares if, as and when accepted by us subject to prior sale and change in price and subject to the approval of all legal matters on our behalf by Messrs. Robson, Alexander & Guest, Vancouver, B.C. and on behalf of the Company by Messrs. Armstrong, Brawner & Speton, Vancouver, B.C.

We reserve the right to accept applications for these common shares in whole or in part or to reject any application and to withdraw this offer at any time without prior notice. It is expected that definitive certificates representing these common shares will be available for delivery on or about January 31, 1968.

An over-the-counter market exists in the Province of British Columbia for shares of the Company.

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## **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Section 61 and 62 of the Securities Act, 1967 (British Columbia) provides in effect, that where a security is offered to the public in the course of primary distribution,

- (a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

The Securities Act, 1966 (Ontario) contains provisions enabling a purchaser of securities offered in the course of primary distribution to rescind the contract of purchase in certain events. Attention is drawn to these provisions. In summary, the purchaser may rescind

- (a) while the purchaser is still the owner of the securities if the prospectus and any amended prospectus, as of the date of receipt by the purchaser, contains an untrue statement of a material fact or omits to state a material fact in order to make any statement contained therein not misleading, but only if action is commenced within 90 days from the last to occur of the receipt of the prospectus or amended prospectus or the contract of purchase; and
- (b) if the person or company from whom the securities were purchased is notified in writing or by telegraph of the purchaser's intent to rescind not later than midnight of the second day, exclusive of Saturdays, Sundays and holidays, after receipt by the purchaser of the prospectus or amended prospectus. A prospectus or amended prospectus sent by prepaid mail is deemed conclusively to be received in the ordinary course of mail. The receipt thereof by a person or company acting as agent or who thereafter commences to act as agent of the purchaser shall be receipt by the purchaser as of the date of the agent's receipt thereof; however, for purposes of the foregoing, a person or company is not considered to be acting as agent of the purchaser unless the person or company is acting solely as an agent of the purchaser and has not received and has no agreement to receive compensation from or on behalf of the vendor with respect to the purchase and sale. This right of rescission is not available to a registrant or to a purchaser who sells or otherwise transfers beneficial ownership of the securities purchased before the expiration of the time within which rescission may be effected.

The above statements of the purchasers right of rescission is indicative only and not intended to be comprehensive. For complete details reference should be had to the sections of the said Act.

## **THE COMPANY**

Captain International Industries Ltd. (hereinafter referred to as "the Company") was incorporated by Memorandum of Association under the laws of the Province of British Columbia on January 31st, 1961, under the name of Homaway Manufacturing Corporation Limited. On June 30th, 1961, the name of the Company was changed to Servade Manufacturing Corporation Limited, and on September 17th, 1965, the name of the Company was changed to Captain International Industries Ltd. The head office of the Company is located at 600-890 West Pender Street, Vancouver, British Columbia.

Amendments to the Memorandum of Association have been as follows:

- (1) Amendment approved by the Registrar of Companies, Victoria, British Columbia, on the 3rd day of June, 1965, increasing the number of shares without nominal or par value authorized to be issued from 500,000 to 1,000,000 shares with a maximum price or consideration of \$2.00 each;
- (2) Amendment approved by the Registrar of Companies, Victoria, British Columbia, on the 17th day of September, 1965, increasing the maximum price or consideration at or for which the 1,000,000 shares may be sold from \$2.00 to \$3.00 per share, subdividing all of the said shares so that the

number of shares authorized was increased to 1,500,000 without nominal or par value with a maximum price or consideration of \$2.00 each and increasing the number of such shares to 3,000,000 so that the Company was then authorized to issue 3,000,000 shares without nominal or par value with a maximum price or consideration of \$2.00 each.

- (3) Amendment approved by the Registrar of Companies, Victoria, British Columbia, on the 15th day of June, 1966, converting the Company from a private company to a public company.
- (4) Amendment approved by the Registrar of Companies, Victoria, British Columbia, on the 30th day of November, 1967, increasing the maximum price or consideration for which each share may be sold from \$2.00 to \$5.00.

## MANAGEMENT

Berton Keith Baldwin, the President of the Company, has been a resident of British Columbia for in excess of 25 years. He is the President of Fort St. John Holdings Ltd., Arbutus Holdings Ltd., Omega Mines Ltd. (N.P.L.) and is a director and officer of many other companies.

Nathan Frankel, the Managing Director of the Company, has been actively engaged in the management of the affairs of the Company for the past three years. In the course of his duties he has travelled extensively throughout Canada, the United States of America, the Bahamas and Europe introducing and promoting the Company's products.

Alexander H. Lenec, C.A., the Vice-President of the Company, is the President of Pyramid Mining Co. Ltd. (N.P.L.), and is a director and officer of many other companies. He has been actively associated with the Company for in excess of five years.

G. Arnold Armstrong, the Secretary-Treasurer of the Company, is the senior partner in the law firm of Armstrong, Brawner & Speton, and is also the President of D. S. Scott Transport Ltd., Reitmier Trucklines Ltd., Coronet Mines Ltd. (N.P.L.), Calta Mines Ltd. (N.P.L.), and is a director and officer of many other companies.

## HISTORY AND BUSINESS

In 1962, the Company acquired patent rights to a push button dispenser and thermoelectric refrigerator machine which is intended for use by the hotel and motel industry. The machine, known as the Bell-Captain Service Centre, enables guests to select different products at the push of a button without the use of coins as the selection is recorded automatically with a central accounting system. Under the provisions of a manufacturing contract with Hawker Siddeley Canada Limited, the unit has been designed and tested for mass production.

In July, 1966, fifty Bell-Captain Service Centres were tested in a Toronto, Ontario, hotel. Since that time, machines have been installed in and leased to hotels in Newfoundland, Puerto Rico and California and preparations are now being completed for the leasing to and installation in hotels and motels in a number of cities in the United States of America and Europe. During the past year, the machine has been displayed at several large hotel industry expositions both in North America and Europe. In 1967, the Company incorporated a wholly owned subsidiary in the United States of America under the name Captain International Industries Inc., the operations of which are directed by the management of the parent company, for the purpose of establishing full distributorship, marketing and manufacturing facilities in the United States of America. Offices were established at Philadelphia, Pennsylvania, and Los Angeles, California.

In November, 1967, arrangements were made for the incorporation of Bell Captain S. A. in Switzerland, which incorporation has been completed, in which Company Captain International Industries Ltd. now owns 50 per cent of the issued common stock and arrangements are now in progress to acquire the remaining 50 per cent for a consideration not to exceed the costs of the incorporation of that company which are estimated to be not more than \$1,000. This company will be responsible for the marketing of Bell-Captain Service Centres throughout Europe, including the United Kingdom.

The Company's prime objective is to establish a complete network of marketing and servicing agencies throughout the world to promote the sale of its products. It is further within the contemplation of the Company to establish manufacturing plants, warehousing and servicing facilities in countries outside Canada to accommodate foreign markets as the need arises.

Subsequent to the acquisition of the patent rights, the Engineering Department of Hawker Siddeley Canada Ltd. improved the methods and engineering and as of the date hereof, patent applications have been filed covering the final improvements of the machine in Canada, the United States of America and sixteen other countries in the world.

## DESCRIPTION OF PROPERTY

The company proposes to lease for a term of 7½ years a manufacturing plant and administrative offices having an area of 17,500 square feet and known as Building 17, Commerce Drive, in the Montgomeryville Industrial Centre, Montgomeryville, Pennsylvania, at an annual rental of \$22,750, which lease will give to the company the option to purchase the land and premises for \$210,000 upon the expiry of the 5th year of the term of the said lease and upon the company giving notice of the exercise of its said option within thirty days after the expiry of the said period of 5 years.

## SPECULATIVE NATURE OF THE SECURITIES

The shares offered hereby are considered to be speculative only because the company has no established earnings record and has never paid a dividend. All shares offered hereby are being offered to the public for cash and the only shares of the company issued or to be issued to a promotor otherwise than for cash were 100,000 shares allotted to Dean Regan, the first promotor of the company, as appears on page (5) hereof. All other shares of the company issued to promoters, directors, officers, controlling persons and underwriters were issued for cash.

## CAPITALIZATION

The following table shows the capitalization of the Company:

### Capital Stock:

	Authorized	Outstanding at September 30, 1967	Outstanding at December 31, 1967	To be outstanding on completion of this financing (Note 1)
Shares without nominal or par value	3,000,000	2,300,000 (\$938,021)	2,300,000 (\$938,021)	2,500,000 (\$1,663,021)

Note 1: This column does not reflect the 100,000 shares without nominal or par value which will be issuable upon the exercise of the right of purchase conferred by 100,000 share purchase warrants being issued as referred to herein under the heading "Underwriting" nor does it reflect the 125,000 shares under option which are referred to herein under the heading "Options to Purchase Shares of the Company".

## USE OF PROCEEDS

Proceeds of the sale of securities offered by this prospectus, estimated to be \$700,000, are to be used as to approximately \$500,000 in the manufacturing of Bell-Captain Service Centres and ancillary equipment, including the financing of Bell-Captain Service Centres to be leased on specific orders from hotels and motels throughout Canada, the United States of America, Europe and elsewhere and as to approximately \$200,000 in selling and administrative expenses.

## PROMOTER

The original promoter of the Company was Dean Regan, Inventor, of 2705-2055 Pendrell Street, Vancouver, B.C. The Company acquired the patent rights to the Bell-Captain Service Centre machine and its component features from Dean Regan on January 15th, 1962, in consideration of the allotment of 100,000 shares of the Company which were issued at 20¢ per share. The directors of the Company, whose names and addresses are set out below under the heading "Directors and Officers", are promoters of the Company.

## ISSUANCE OF SHARES

The Company has only one class of shares and all rank equally as to dividend rights, voting rights, liquidation and distribution rights. No shares of the company have attached thereto any pre-emptive rights, conversion rights, redemption or purchase for cancellation or surrender provisions, sinking or purchase fund provisions, liability to further calls or to assessments by the company, or provisions as to modification, amendment or variation of any such rights or provisions.

## DIRECTORS AND OFFICERS

Berton Keith Baldwin  
6190 Glendalough Place  
Vancouver, B.C.

Nathan Frankel  
4800 Arbutus Street  
Vancouver, B.C.

President and Director

Managing Director  
and Director

President of Fort St. John Holdings Ltd.

1952-1964 Manager Tri-State Acceptance Corp. Ltd. 1964 to date President of Allen Investments Ltd.

Alexander H. Lenec 890 West Pender Street Vancouver, B.C.	Vice President and Director	1962-1965 partner Lenec and Legallais, Chartered Accountants. 1965 to date President of Pyramid Mining Ltd. (N.P.L.)
G. Arnold Armstrong 1450 Tyrol Place West Vancouver, B.C.	Secretary Treasurer and Director	Partner Armstrong, Brawner & Speton, Barristers and Solicitors
Robert F. Harrison 4520 Keith Road West Vancouver, B.C.	Director	Architect
		All of the directors and officers have been in the same principal position for the preceding five years.

### PRINCIPAL HOLDERS OF SECURITIES

The following table sets forth particulars with respect to the percentage of the shares without nominal or par value of the Company beneficially owned, directly or indirectly, by all directors and senior officers of the Company as a group:

Designation of Class	Number of Shares Beneficially Owned	Percentage of Class
Shares without nominal or par value	559,807	23.32%

No person or company owns of record or is known by the Company to own beneficially, directly or indirectly, more than 10% of the shares of the company.

### OPTIONS TO PURCHASE SHARES OF THE COMPANY

Captain Int'l Industries Ltd.	Captain Int'l Industries Inc.	No. of Shares	Price Per Share	Exercise Period
Directors and Senior Officers*		25,000	\$3.50	One year ending November 30th, 1968
	Directors and Senior Officers**	100,000	.75	20,000 shares per year for five year period ending January 31st, 1972

\*This option is an incentive option to Nathan Frankel, Managing Director of the Company.

\*\*This option is an incentive option of 50,000 shares each to two senior officers of the subsidiary Captain International Industries Inc., namely Jack Morgan, Vice-President, Operations, and Rocco M. Yannarell, Jr., Vice-President, Marketing.

### PRIOR SALES

Within the past twelve months prior to the date of this Prospectus, shares of the Company have been sold as follows:—

Sold To	No. of Shares Sold	Date of Sale	Purchase Price per Share
Belvedere Investments Ltd., Vancouver, B.C.	400,000	July 21, 1967	\$ .50
	100,000	September 7, 1967	1.15

Belvedere Investments Ltd. purchased as an underwriter only and subsequently arrange for distribution to the public in the Province of British Columbia of the 500,000 underwritten shares. As of the date of this prospectus Belvedere Investments Ltd. has no interest, direct or indirect, in Captain International Industries Ltd. or its subsidiaries.

### REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the fiscal year ended December 31, 1967, the Company paid no remuneration to its directors and senior officers. In such fiscal year the Company's subsidiary, Captain International Industries Inc., paid to its directors and senior officers aggregate direct and indirect remuneration of \$51,333.33. The aggregate amount proposed to be paid in the future, directly or indirectly, to directors and senior officers of the Company and its subsidiaries is \$56,000 per year.

### PRICE RANGE OF SHARES

The shares without nominal or par value of the Company are not listed on any stock exchange at the date hereof. However, as set out on the cover page of this prospectus an over-the-counter market for such shares exists

in the Province of British Columbia. The following table indicates the high and low price for the shares without nominal or par value of the Company for the preceding twelve months as reported by the Vancouver Sun.

PERIOD	Low	High
December 1966 .....	\$ .70	\$ .84
January 1967 .....	.70	.80
February 1967 .....	.50	.80
March 1967 .....	.60	.72
April 1967 .....	.55	.75
May 1967 .....	.53	.83
June 1967 .....	.53	.70
July 1967 .....	.55	.70
August 1967 .....	.60	.70
September 1967 .....	.67	3.30
October 1967 .....	2.80	4.25
November 1967 .....	3.75	4.90

### AUDITORS

Messrs. Hallam & McAlister, Chartered Accountants, 630 - 890 West Pender Street, Vancouver, B.C.

### TRANSFER AGENT & REGISTRAR

The Guaranty Trust Company of Canada at its principal offices in the Cities of Vancouver, B.C. and Toronto, Ontario.

### UNDERWRITING

The Company and the Underwriter have entered into an agreement, dated November 24, 1967, under which the Company has agreed to sell and the Underwriter has agreed to purchase upon and subject to the terms and provisions of such agreement 200,000 shares without nominal or par value in the capital stock of the Company at the price of \$3.50 per share at a closing which will be requested by the Company within 10 days after this Prospectus and a prospectus of even date herewith in respect of the share purchase warrants hereinafter mentioned have been filed with and accepted by the Securities Commissions of the Provinces of British Columbia and Ontario. Under the provisions of the said underwriting agreement, in consideration of the Underwriter purchasing the said 200,000 shares, the Company has agreed to sell to the Underwriter 100,000 share purchase warrants at the price of 25 cents per warrant. Each such warrant will entitle the bearer thereof to purchase one common share without nominal or par value in the capital stock of the Company as constituted at December 31, 1967 for \$4 until the close of business on November 30, 1972.

### MATERIAL CONTRACTS

Apart from the underwriting agreement above-mentioned, the Company has entered into material contracts other than in the ordinary course of business of the Company as follows:—

- (1) Agreement in writing dated the 30th day of September, 1965, between the Company and Allen Investments Ltd. with respect to the services of the said Allen Investments Ltd. as Management Agent in advising and assisting the Company in respect of financing and marketing for a period of ten years under which the Company pays to Allen Investments Ltd. for such services the sum of \$1000. per month. The following are the only persons having an interest, either direct or indirect, in the capital of Allen Investments Ltd.: Naham Frankel, who is the Managing Director of the Company, and Alexander H. Lenec, who is the Vice-president and a director of the Company.
- (2) Employment Contract dated the 17th day of January, 1967, made between Captain International Industries Inc., Captain International Industries Ltd., and Jack Morgan respecting the employment of the said Jack Morgan as Vice-President, Operations, for a period of five years.
- (3) Employment Contract dated the 17th day of January, 1967, made between Captain International Industries Inc., Captain International Industries Ltd., and Rocco M. Yannarell, Jr., respecting the employment of the said Rocco M. Yannarell, Jr. as Vice-President, Marketing, for a period of five years.
- (4) The aforementioned manufacturing contract with Hawker Siddley (Canada) Limited referred to on page 4 of this prospectus.

Copies of the foregoing agreements may be inspected at 1250 One Bentall Centre, 505 Burrard Street, Vancouver, B.C., during ordinary business hours while primary distribution to the public of the securities offered by this Prospectus is taking place.

**CAPTAIN INTERNATIONAL INDUSTRIES LTD.**  
 (and its wholly owned subsidiary Captain International Industries, Inc.)

**CONSOLIDATED BALANCE SHEET AND PRO FORMA CONSOLIDATED BALANCE SHEET  
 AS AT SEPTEMBER 30, 1967**

**ASSETS**

	CONSOLIDATED BALANCE SHEET		PRO FORMA CONSOLIDATED BALANCE SHEET	
<b>CURRENT ASSETS</b>				
Cash				
In bank .....	\$ 142,358		\$ 857,358	
On deposit with underwriter (Note 1) .....	135,000		135,000	
	<hr/>	\$ 277,358		<hr/>
Certificate of deposit .....	2,160		2,160	
Prepaid expenses .....	3,748		3,748	
Accounts receivable .....	5,366		5,366	
Inventory of parts — at cost .....	3,495	\$ 292,127	3,495	\$ 1,007,127
	<hr/>			<hr/>
<b>FIXED ASSETS (Note 2)</b>				
Furniture and equipment — at cost				
less \$891 accumulated depreciation .....	\$ 20,661		\$ 20,661	
Office leasehold improvements — at cost				
less amounts written off .....	9,377		9,377	
Service units — at cost .....	32,380	62,418	32,380	62,418
	<hr/>			<hr/>
<b>OTHER ASSETS — at cost</b>				
Deposits (Note 3) .....	\$ 31,000		31,000	
Patent costs .....	35,692		35,692	
Organization costs .....	6,972	73,664	6,972	73,664
	<hr/>			<hr/>
<b>DEFERRED EXPENSES — at cost</b>				
Tooling costs .....	\$ 53,270		53,270	
Development expenses —				
Balance, December 31, 1961 .....	\$ 9,959		9,959	
Per Schedule 1 .....	504,202	514,161	567,431	514,202
	<hr/>			<hr/>
	\$ 995,640			<hr/>
				<hr/>
	<hr/>			<hr/>

**LIABILITIES AND SHARE CAPITAL**

<b>CURRENT LIABILITIES</b>				
Bank loan .....	\$ 20,000		\$ 20,000	
Accounts payable .....	37,619	\$ 57,619	37,619	\$ 57,619
	<hr/>			<hr/>
<b>SHARE CAPITAL (Notes 1 and 4)</b>				
Authorized:				
3,000,000 common shares of no par value				
Issued:				
2,300,000 shares .....		938,021		
		<hr/>		
(Pro Forma — 2,500,000 shares) .....				1,663,021
				<hr/>
	\$ 995,640			<hr/>
				<hr/>

APPROVED ON BEHALF OF THE BOARD:

B. K. BALDWIN, Director

G. A. ARMSTRONG, Director

This is the balance sheet referred to in our report of January 9, 1968.

HALLAM & McALISTER  
 Chartered Accountants

The attached notes are an integral part of these financial statements and should be read in conjunction therewith.

**CAPTAIN INTERNATIONAL INDUSTRIES LTD.**  
(and its wholly owned subsidiary Captain International Industries, Inc.)

SCHEDULE 1

**CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT EXPENSES**  
From January 1, 1962 to September 30, 1967

	Year Ended December 31, 1962	Year Ended December 31, 1963	Year Ended December 31, 1964	Year Ended December 31, 1965	Year Ended December 31, 1966	Nine Months Ended Sept. 30, 1967	Total
Accounting and audit .....	\$ 1,029	\$ 675	\$ 1,050	\$ 1,265	\$ 1,125	\$ 4,900	\$ 10,044
Advertising and promotion .....	—	—	290	3,092	21,374	25,057	49,813
Brochures and market research .....	567	—	—	10,196	—	—	10,763
Legal expense .....	1,627	1,010	948	1,450	7,175	6,772	18,982
Salaries and management fees .....	5,100	9,200	17,372	35,991	33,280	107,770	208,713
Production of prototype models							
(i) shop .....	2,268	5,763	9,572	—	—	—	17,603
(ii) subcontract—Hawker Siddeley Canada Ltd. ....	7,914	—	9,237	10,429	—	—	27,580
Office—transfer agent fees, printing, rent, telephone and supplies .....	957	786	2,424	4,514	21,394	37,098	67,173
Travelling expense .....	3,689	1,863	6,716	8,999	23,396	38,724	83,387
Auto expenses .....	—	—	—	—	2,742	6,686	9,428
Moving expenses, freight and duty .....	—	—	—	—	1,932	6,192	8,124
Amortization of leasehold improvements and depreciation .....	—	—	—	—	1,786	3,190	4,976
Parts for service units .....	—	—	—	—	2,305	—	2,305
Installation costs .....	—	—	—	—	6,405	—	6,405
Other expenses .....	—	—	—	—	—	972	972
	\$ 23,151	\$ 19,297	\$ 47,609	\$ 75,936	\$ 122,914	\$ 237,361	\$ 526,268
Less—franchise fees, interest and other income .....	—	—	—	—	5,837	16,229	22,066
<b>Total deferred development expenses</b>	<b>\$ 23,151</b>	<b>\$ 19,297</b>	<b>\$ 47,609</b>	<b>\$ 75,936</b>	<b>\$ 117,077</b>	<b>\$ 221,132</b>	<b>\$ 504,202</b>
<b>Schedule 2</b>							

SCHEDULE 2

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**  
For the period January 1, 1962 to September 30, 1967

	Jan. 1, 1962 to Dec. 31, 1962	Jan. 1, 1963 to Dec. 31, 1963	Jan. 1, 1964 to Dec. 31, 1964	Jan. 1, 1965 to Dec. 31, 1965	Jan. 1, 1966 to Dec. 31, 1966	Jan. 1, 1967 to Sept. 30, 1967	Total
<b>SOURCE OF FUNDS</b>							
Sale of shares .....	\$ 47,372	\$ 12,660	\$ 69,900	\$ 186,419	\$ 300,000	\$ 315,000	\$ 931,351
Recoveries on service units .....	—	—	—	—	—	12,320	12,320
	\$ 47,372	\$ 12,660	\$ 69,900	\$ 186,419	\$ 300,000	\$ 327,320	\$ 943,671
<b>APPLICATION OF FUNDS</b>							
Deferred development expense							
—Schedule 1 .....	\$ 23,151	\$ 19,297	\$ 47,609	\$ 75,936	\$ 117,077	\$ 221,132	\$ 504,202
Less—non-cash charges (amortization and depreciation) .....	—	—	—	—	1,786	3,190	4,976
	\$ 23,151	\$ 19,297	\$ 47,609	\$ 75,936	\$ 115,291	\$ 217,942	\$ 499,226
Tooling costs .....	—	—	—	4,000	49,152	118	53,270
Furniture and equipment .....	(46)	168	(168)	—	7,203	14,348	21,505
Office leasehold improvements .....	—	—	—	—	13,172	290	13,462
Service units .....	—	—	—	—	44,700	—	44,700
Deposits .....	—	—	—	30,000	460	540	31,000
Patent costs .....	22,990	120	35	6,911	3,995	1,189	35,240
Organization costs .....	—	—	1,600	3,252	—	1,366	6,218
	\$ 46,095	\$ 19,585	\$ 49,076	\$ 120,099	\$ 233,973	\$ 235,793	\$ 704,621
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	<b>\$ 1,277</b>	<b>(\$ 6,925)</b>	<b>\$ 20,824</b>	<b>\$ 66,320</b>	<b>\$ 66,027</b>	<b>\$ 91,527</b>	<b>\$ 239,050</b>
<b>WORKING CAPITAL</b>							
January 1, 1962—current assets ..	\$ 1						
less current liabilities .....	4,543	(\$ 4,542)					
September 30, 1967—current assets ..	\$ 292,127						
less current liabilities .....	57,619	234,508					
Increase .....				\$ 239,050			

## **NOTES TO SEPTEMBER 30, 1967 CONSOLIDATED BALANCE SHEET**

1. Subsequent to April 30, 1967, the date of the last published balance sheet, 500,000 shares were issued for a cash consideration of \$315,000; of this amount, \$180,000 was received prior to September 30, 1967 and \$135,000 was on deposit with the underwriter at that date; the latter amount was deposited in the company's bank account on October 3, 1967.
2. As the company is still in the development stage (1) no provision has been made for depreciation on furniture and fixtures (other than \$891 in the accounts of the subsidiary) or on service units, and (2) development costs and expenses have been capitalized.
3. Under the provisions of an agreement between the company and Hawker Siddeley Canada Ltd. dated September 2, 1965, Hawker Siddeley Canada Ltd. agreed to manufacture service units on behalf of the company. The contract provided for a deposit of \$30,000 and the balance payable on delivery of the machines and, in any event, on or before January 1, 1967. By verbal agreement payment will be made as the service units are delivered. There remains an amount of approximately \$166,000 owing on service units ordered but not delivered.
4. The company and its subsidiary have entered into employment contracts with two key employees (a Vice-President, Operations, and a Vice-President, Marketing). The contracts, commencing February 1, 1967, extend over a period of five years and provide for salaries and commissions. In addition, the contracts provide for stock options to both employees on a total of 50,000 shares each in Captain International Industries Ltd. whereby they are entitled to take up 10,000 shares each at 75¢ per share in each of the five years from February 1, 1967 to January 31, 1972, such options being on a cumulative basis from year to year.
5. Captain International Industries, Inc. has entered into lease contracts for office space in Long Beach, California, and Fort Washington, Pennsylvania. The leases, for a term of three years, provide for a gross rental of approximately \$30,000. Captain International Industries, Inc. has also entered into two leases for motor vehicles. The leases, for a term of two years, have an unpaid balance of approximately \$3,700.
6. The amounts shown in these financial statements are expressed in Canadian funds; U.S. funds have been converted at a rate of 8%.

## **NOTES TO SEPTEMBER 30, 1967 PRO FORMA CONSOLIDATED BALANCE SHEET**

1. The pro forma consolidated balance sheet gives effect to the under noted proposed transactions:
  - (a) the issue of 200,000 common shares for an aggregate cash consideration of \$700,000;
  - (b) the issue of 100,000 Share Purchase Warrants at a price of \$.25 each for an aggregate consideration of \$25,000;
  - (c) the payment of estimated expenses of issue of \$10,000.
2. Each share purchase warrant referred to above entitles the bearer thereof to purchase one share of the Company as constituted at December 31, 1967 for \$4 until November 30, 1972.
3. Subsequent to September 30, 1967 an incentive option was granted to a director to purchase 25,000 shares of the Company at the price of \$3.50 per share during the year ending November 30, 1968.

## **AUDITORS' REPORT**

We have examined the consolidated balance sheet and the pro forma consolidated balance sheet of Captain International Industries Ltd. and its wholly owned subsidiary Captain International Industries, Inc. as at September 30, 1967 and the consolidated statements of deferred development expenses and source and application of funds for the period January 1, 1962 to September 30, 1967. As to the parent company, our examination covered the period January 1, 1966 to September 30, 1967 and included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; with respect to the period January 1, 1962 to December 31, 1965 we have relied upon the financial statements as reported upon by other chartered accountants. As to the subsidiary, we have relied upon the financial statements as reported upon by a certified public accountant.

In our opinion, which insofar as it relates to the period January 1, 1962 to December 31, 1965 and the subsidiary company is based solely upon the unqualified reports of other auditors:

- (1) the accompanying consolidated balance sheet and the consolidated statements of deferred development expenses and source of application of funds when read in conjunction with the notes thereto present fairly the financial position of the companies as at September 30, 1967 and the results of their operations and the source and application of their funds for the period January 1, 1962 to September 30, 1967; and
- (2) the pro forma consolidated balance sheet presents fairly the financial position of the Company as at September 30, 1967 after giving effect as at that date to the proposed transactions described in Note 1 to the Notes of September 30, 1967 to the Pro Forma Consolidated Balance Sheet;

in accordance with generally accepted accounting principles applied on a consistent basis.

Vancouver, B.C.  
January 9, 1968

HALLAM & McALISTER  
Chartered Accountants

## CERTIFICATES

### DIRECTORS

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), and the regulations thereunder and by Part VII of The Securities Act, 1966 (Ontario), and the regulations thereunder.

“B. K. BALDWIN”

President

“G. A. ARMSTRONG”

Secretary-Treasurer

On behalf of the Board

“R. F. HARRISON”

Director

“N. FRANKEL”

Director

“A. H. LENEC”

Director

### UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), and the regulations thereunder and by Part VII of The Securities Act, 1966 (Ontario), and the regulations thereunder.

ANNETT MACKAY LIMITED

By: “J. W. ANNETT”

The following includes the name of every person having an interest, either directly or indirectly, to the extent of not less than 5 per cent in the capital of Annett Mackay Limited: D. R. Annett, C. G. King, J. W. Annett, T. S. Mackay, J. M. Brandreth, W. D. R. McLaren and W. W. Laycraft.

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CAPTAIN  
INTERNATIONAL  
INDUSTRIES LTD.



**1968 ANNUAL REPORT**

# CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries, Inc.)

## OFFICERS AND DIRECTORS

KEITH BALDWIN - - - - President and Director  
G. ARNOLD ARMSTRONG - - Chairman of the Board and Director  
NATHAN FRANKEL - - - Managing Director  
ALEXANDER H. LENEC - - Vice-President and Director  
ROBERT F. HARRISON - - Director

## HEAD OFFICE

Suite 600 - 890 West Pender Street, Vancouver 1, B.C., Canada

## REGISTERED OFFICE

1250-One Bentall Centre, 505 Burrard Street, Vancouver 1, B.C., Canada

## TRANSFER AGENT AND REGISTRAR

THE GUARANTY TRUST COMPANY OF CANADA  
624 Howe Street, Vancouver 1, B.C., Canada

# CAPTAIN INTERNATIONAL INDUSTRIES INC.

## OFFICERS AND DIRECTORS

KEITH BALDWIN - - - - President and Director  
G. ARNOLD ARMSTRONG - - Vice-President, Secretary and Director  
ALEXANDER H. LENEC - - Vice-President, Treasurer and Director  
NATHAN FRANKEL - - - Vice-President, Finance, and Director  
JACK P. MORGAN - - - - Vice-President, Operations, and Director  
REX YANNARELL - - - - Vice-President, Marketing, and Director

## HEAD OFFICE AND MANUFACTURING PLANT

Commerce Drive, Montgomeryville, Pennsylvania 18936, U.S.A.

## REGISTERED OFFICE

1418 Packard Building, Philadelphia, Pennsylvania 19102, U.S.A.



KEITH BALDWIN, President

## PRESIDENT'S REPORT

Captain International Industries is now well underway to becoming a major automation equipment supplier to the hotel/motel industry. Our "Bell Captain" machines are unique in their ability to increase services to the hotel/motel guest without increased overhead.

1968 represents the breakthrough year in our development program. Our production facilities were completed at Montgomeryville, Pennsylvania, in late February. By early summer, our first units came off our new assembly line.

With production problems solved, emphasis has now shifted to sales. 1969 is our marketing year, just as 1968 was our production year and 1967 our development year.

Until now, our sales division has been allowed to wait in the background. This was a deliberate policy. Our emphasis was on improving systems, correcting teething troubles in production, ensuring that our service department could meet every demand.

No short cuts were taken. We strengthened our electronics and engineering departments. Units left our plant at

Montgomeryville only after vigorous checking. We delayed building our sales organization until our mechanical and service departments were in a position to follow through.

We are now satisfied that our foundations have been securely laid. Our production techniques have been streamlined. Our service department has proven its ability in the field. "Bell Captains" and "Captain Communicators" have answered all demands.

We are ready for the sales push. In this regard, Mr. Donald B. Zager has joined the Company as Sales Manager for the Continental United States reporting to our Vice-President Marketing, Mr. Rex Yannarell. Mr. Zager brings to the Captain organization a wide knowledge of the hospitality industry. Our marketing sales force is in the process of being enlarged and strengthened. Captain has created many contacts within the industry, and it is now a question of physically getting around to meet all the hotel/motel operators who have shown an interest in our products.

Our salesmen are going out to meet an industry that is becoming increasingly more receptive to Captain International and its In-Service concepts. Your directors have always been confident that sales would multiply once "Bell Captains" had proven themselves over a meaningful period.

Indisputably, our units did prove themselves in 1968. We reported to you last year that 30 machines were under market test at the San Jeronimo Hilton in San Juan, Puerto Rico.

The facts speak for themselves. The San Jeronimo has re-ordered twice, and now has over five times as many "Bell Captains" in service. Other Hilton International managements have been similarly impressed. Contracts have also been signed with the Caribe Hilton, Puerto Rico; Curacao Hilton, Netherlands Antilles; Dorado Hilton, Puerto Rico; Jamaica Hilton, West Indies; Mayaguez Hilton, Puerto Rico; Virgin Isle Hilton, Virgin Islands; and Zurich Hilton, Switzerland.

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Our experience with Hilton International is only one example of an emerging pattern, customers keep coming back for more. For instance, last year we installed machines in the Esso Motor Inn at Maidenhead, England. In January of 1969, 100 "Bell Captains" were installed in the new Esso Motor Hotel in Amsterdam, Holland.

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Also, in January of 1969, your Directors met with the Directors of the Travelodge Corporation. Present were Directors of both Travelodge Australia Ltd. and Trust Houses Group Ltd. of London, England. This meeting resulted in an initial order of 149 "Bell Captains" and "Captain Communicators" for installation in all rooms of the ultra-modern Travelodge Hotel now under construction at Hilo, Hawaii.

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## **sales**

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Sales in 1968 increased throughout the year and accelerated in the first quarter of 1969.

The majority of our sales are made on a five year lease basis. Taking this factor into account, orders booked during 1968 had a total worth of \$2.2 million. Our 1968 shipments, representing direct sales, distributor sales and five year lease contracts, had a value of \$614,000, leaving orders booked, but not delivered, of \$1.58 million.

In the first quarter of 1969, Captain received signed orders worth \$1.67 million. During the same period, shipments totalling \$220,000 were made. Orders booked, but not delivered, at the end of March 1969, totalled just over \$3 million.

The ordered equipment is scheduled mainly for hotels/motels either under construction or renovation. The majority of our customers will be ready to take delivery this year, and this will have an increasing impact on our cash flow.

## **financial**

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Costs in 1968 were high due largely to the expense entailed in commencing production at our plant at Montgomeryville. Another major expense was the necessity of field replacing all the original thermal electric refrigerators with new compressor units.

Before the end of 1968, the major production difficulties had been resolved. Our manufacturing methods now produce "Bell Captains" at a price which gives Captain a favorable gross profit percentage of sales and/or leases.

Your Directors, acting on the recommendation of our auditors, decided to charge off to the deficit account all of the development expenses incurred in Canada prior to the formation of the U.S. company, together with all the development and start-up expenses at Montgomeryville.

By charging off these expenses and costs to the year 1968, your Directors have adopted a conservative accounting approach. In this way, future production from our plant will not be saddled with the burden of these costs.

As will be seen from the financial statements, Captain ended 1968 with a satisfactory cash position. On December 31, 1968, cash on hand amounted to \$965,831 as compared with \$164,899 on December 31, 1967.

Under an agreement with a major U.S. bank, your Company sells or discounts the majority of the lease contracts for cash. While your Company expects to create a positive cash flow this year, we still anticipate reporting a 1969 deficit because of the deferral of lease income. This income will be recognized over the period of the lease and will benefit operating results of future years.

## **captain europe**

In February of 1969, your Company took a major step towards fulfilling its international ambitions through the formation of Captain Europe.

Details on Captain Europe will be found later in the report, but I am proud to welcome our European partners to the Captain organization. They are men of the highest calibre, and I am certain that our association will be mutually beneficial.

## **future plans**

From our conversations with many hotel executives, Captain is fully aware of the need for more automation within the hospitality industry.

At present, the industry has a shortage of suitable personnel. This problem will be magnified when "jumbo jets" go into service, allowing more people to travel more cheaply than ever before.

While increased travel opportunities will benefit the hospitality industry, hotels/motels will have to turn to automation in order to maintain efficiency.

In conjunction with the hospitality industry, Captain is developing new electronic methods aimed at improving guest services and hotel operations. We intend to remain the leaders in this field.

It is for this reason that Mr. Charles P. Comeau has joined our Company as Director of Engineering and Research. Mr. Comeau graduated from Cornell University and subsequently completed post-graduate work at the University of Pennsylvania. He was with the Philco Ford Corporation for the past 19 years and was the recipient of the Philco Ford President's Special Award and the Research and Engineering Achievement Award for two successive years.

I am glad to welcome the many people who became shareholders of Captain during the past 12 months. We now have approximately 3,000 registered shareholders, an increase of 1,300 over the past year.

Your Directors are gratified that so many people share the belief in the future of Captain International.

**CAPTAIN INTERNATIONAL INDUSTRIES LTD.**

KEITH BALDWIN,  
President.

April 22nd, 1969



# CAPTAIN EUROPE



Captain International Industries Ltd. is now established on the Continent of Europe.

A new organization, Captain Europe Company N.V., has been formed to manufacture and sell Captain's products in this prime market area, which includes all countries bordering on the Mediterranean.

Incorporated in the Netherlands, Captain Europe represents a partnership of Captain International Industries Ltd. and a group of respected European bankers and industrialists.

Captain International Industries Ltd. owns a 50 per cent interest in the European company and is represented on the Board by Keith Baldwin and G. Arnold Armstrong.

The European group is represented on the Board by:

Ir. R. van Dijk, Chairman of Captain Europe — a retired member of the Board of Management of Philips N.V. of Eindhoven.

W. Ch. J.M. van Lanschot — a partner in the firm of F. van Lanschot, bankers, Netherlands.

B.W.S. Irwin — Managing Director of the Ionian Bank Ltd., of London, England.

A three-stage program has been planned for the distribution of "Bell Captains". Initially, Captain Europe will supply customers with machines manufactured at the Montgomeryville plant. Next, cabinets and refrigerators will be built in Europe, with the U.S. company providing electronic equipment and vend units. Finally, complete machines will be manufactured in Europe, under a licencing agreement with Captain International Industries Ltd.

The incorporation of Captain Europe was preceded by an extensive market research study initiated by Captain International's partners. This investigation confirmed the significant and continuing influence of tourism on the economies of many European nations. It also indicated that the European industry is following the U.S.-Canada

pattern with an increasing percentage of jet-age "travelling salesmen" guests, a demand for improved guest services, shortages of labour, and recognition of the need for greater cost controls.

These factors, coupled with the frequent non-availability in Europe of such common North American conveniences as television and radio sets, augur well for the future of Captain Europe which will provide a wide range of hotel products.

Captain Europe has opened offices at N.D.S.M. Geboun, Klaproosweg 75, Amsterdam, and is now recruiting sales and service staffs.

Managing Director of the Company is J.A. Nieuwenhuis, formerly on the Board of Management of Lindetves-Jacoberg N.V., a Dutch import/export company.

Captain International has displayed "Bell Captains" and "Captain Communicators" at several major European hotel shows. This exposure has created a great deal of interest among European hoteliers.

In December, 1968, Rex Yannarell, Vice-President Marketing of Captain International Industries Inc., was invited to attend a three-day seminar organized by Hilton International. Executives from Hilton's European operations heard a half-day presentation on Captain and its concepts.

Reaction to the presentation indicates that the success Captain International has had with Hilton International in the Caribbean can be duplicated in Europe. "Bell Captains" and "Captain Communicators" have been ordered for every room in the Zurich Hilton, now under construction, and further meetings are planned with other Hilton managements.

Coinciding with the official formation of Captain Europe on February 25th, 1969, Captain International provided the new company with its first working showcase. On that date, the new Esso Motor Hotel in Amsterdam was opened with 100 "Bell Captains" in operation.

To successfully exploit the various European markets, both East and West, it is necessary to be able to understand the many different regulations, customs and currencies. The men who head Captain Europe have this knowledge and experience so vital to success.



1.

1. "Bell Captains" are in operation in rooms on top five storeys of the \$5-million Esso Motor Hotel in Amsterdam.
2. Captain Europe is born. G. Arnold Armstrong signs on behalf of Captain International. Seated left is Ir. van Dijk, the chairman of Captain Europe. Standing are Captain Europe directors B.W.S. Irwin (left), and W. Ch. J.M. van Lanschot, and Nathan Frankel, (right), managing director of Captain International.
3. Inspecting vend units in the Montgomeryville plant are (left to right):  
W. Ch. J.M. van Lanschot—Director of Captain Europe  
Rex Yannarell—Vice-President Marketing  
C.J. Van Tighem—Canadian Deputy Consul General, New York.  
Jack Morgan—Vice-President Operations
4. Rex Yannarell, Vice-President Marketing, welcomes J.A. Nieuwehuis to Captain organization. Nieuwenhuis is Managing Director of Captain Europe.
5. "Bell Captain" stands for service in any language. One of the machines in operation at the Esso Motor Hotel.




**CAPTAIN INTERNATI**

(and its wholly-owned subsidiaries)

**CONSOLIDATED BALANCE SHEET**

(with company)

**ASSETS**

	<u>1968</u>	<u>1967</u>
<b>CURRENT:</b>		
Cash.....	\$ 65,831	\$ 39,899
Short-term deposits.....	900,000	125,000
Trade notes and accounts receivable.....	44,079	27,687
Inventories – Note 3.....	617,568	40,119
Advance to affiliated company.....	10,738	–
Prepaid expenses and deposits.....	3,052	33,481
	1,641,268	266,186
Equipment on lease with customers, at cost less accumulated depreciation of \$ 17,010 in 1968 – Note 4.....	350,684	–
<b>FIXED: – Note 5</b>		
Machinery and equipment, at cost less accumulated depreciation.....	155,552	96,790
<b>OTHER:</b>		
Patents, at cost less amortization .....	42,362	35,692
Incorporation costs.....	6,557	6,889
	\$ 2,196,423	\$ 405,557

ON BEHALF OF THE BOARD

"B.K. BALDWIN", Director

"G.A. ARMSTRONG", Director

# NAL INDUSTRIES LTD.

International Industries, Inc.)

AS AT DECEMBER 31, 1968

(es for 1967)

## LIABILITIES

	<u>1968</u>	<u>1967</u>
CURRENT:		

Accounts payable and accrued liabilities.....	\$ 184,664	\$ 74,326
Proceeds on sale of equipment lease contracts — Note 4 .....	210,609	—

## SHAREHOLDERS' EQUITY

### SHARE CAPITAL:

Authorized  
3,000,000 shares of no par value

Issued and fully paid — Note 1		
2,731,200 shares (1967 2,300,000).....	\$ 3,107,111	\$ 938,021

DEFICIT:.....	<u>1,305,961</u>	<u>(606,790)</u>
	1,801,150	
	<u>\$ 2,196,423</u>	<u>\$ 405,557</u>

## AUDITORS' REPORT

*The Shareholders,  
Captain International Industries Ltd.*

We have examined the consolidated balance sheet of Captain International Industries Ltd. and its wholly-owned subsidiary, Captain International Industries, Inc. as at December 31, 1968 and the consolidated statements of operations and deficit and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except as explained in Note 9 to the financial statements.

Vancouver, B.C.  
April 2, 1969

TOUCHE, ROSS, BAILEY & SMART,  
Chartered Accountants

# CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly-owned subsidiary Captain International Industries, Inc.)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 1968

### NOTE 1 – Share Capital

During the year the company has issued shares for cash considerations as follows:

	Shares	Cash Consideration
Pursuant to underwriting agreements . . . . .	340,000	\$ 1,883,000
Warrants exercised . . . . .	25,800	116,550
Options exercised – by the managing director . . . . .	25,000	87,500
– by employees . . . . .	40,400	32,040
200,000 share purchase warrants granting rights of purchase shares . . . . .		50,000
Shares issued during the year . . . . .	431,200	\$ 2,169,090
Shares issued at December 31, 1967. . . . .	<u>2,300,000</u>	<u>938,021</u>
Shares issued at December 31, 1968 . . . . .	<u>2,731,200</u>	<u>\$ 3,107,111</u>

174,200 shares are reserved for the exercise of share purchase warrants, 77,200 shares at \$4.00 per share expiring November 30, 1972, and 97,000 shares at \$8.45 per share expiring July 8, 1973.

92,100 shares are reserved for options granted to employees of the company. The two key employees mentioned in Note 8 have options for 30,000 shares each at 75¢ per share, exercisable to January 31, 1972 at the rate of 10,000 shares per year on a cumulative basis from year to year. Other employees have options for 24,600 shares at \$5.10 per share, expiring on February 26, 1973, 5,000 shares at \$5.28 per share, expiring on April 11, 1973 and 2,500 shares at \$8.50 per share expiring July 17, 1973. The options are exercisable at annual rates of 5,000 shares, 1,000 shares and 500 shares respectively and are on a cumulative basis from year to year.

### NOTE 2 – Leasing Operations

The company manufactures and sells or leases dispensing machines and electronic equipment. This equipment is installed in hotel and motel rooms. Revenues from units placed on lease during 1968 are being accounted for under the operating method and the income is recognized over the period of the lease on a straight line basis.

### NOTE 3 – Inventories

Inventories are priced at the lower of cost or net realizable value and consisted of:

	1968	1967
Raw material . . . . .	\$ 138,623	\$ 8,248
Work in progress . . . . .	210,411	—
Finished goods . . . . .	<u>268,534</u>	<u>31,871</u>
	<u>\$ 617,568</u>	<u>\$ 40,119</u>

### NOTE 4 – Proceeds on Sale of Equipment Lease Contracts

The company has sold certain equipment lease contracts to a bank with full recourse. Titles to the related equipment remain with the company. The proceeds of sale have been deferred and will be taken into income over the period of the leases on a straight line basis, during which period operations will be charged with depreciation expense applicable to the leased units.

Under the terms of the agreement of sale of the leases, the bank holds a first lien on leased equipment with a net carrying value of \$191,484 at December 31, 1968.

The company is also guarantor in the amount of \$50,000 at December 31, 1968 under similar type financing operations arranged by one of its distributors.

#### **NOTE 5 – Fixed Assets**

Depreciation expense on property and equipment totalled \$33,406 for 1968 (\$4,231 - 1967). Details of property and equipment are as follows:

	<u>1968</u>	<u>1967</u>
Machinery and equipment .....	\$ 57,414	\$ 13,237
Furniture and fixtures .....	35,245	20,397
Tooling, dies and moulds .....	75,378	55,998
Leasehold improvements .....	26,897	13,172
	<hr/>	<hr/>
Less : Accumulated depreciation .....	\$ 194,934	\$ 102,804
	39,382	6,014
	<hr/>	<hr/>
	\$ 155,552	\$ 96,790
	<hr/>	<hr/>

#### **NOTE 6 – Income Taxes**

At December 31, 1968 the company had tax loss carry forward of approximately \$1,250,000 available as offsets against taxable income in future years. The loss carry forwards will expire principally in 1972 and 1973.

#### **NOTE 7 – Lease Commitments**

On February 1, 1968 the company entered into a seven and one-half year lease agreement calling for the rental of manufacturing and office space in Montgomeryville, Pennsylvania, at an annual rental of approximately \$24,840 a year, plus taxes, insurance and maintenance and repairs. The company has the option of purchasing the facility in 1973 for a consideration of \$226,800.

#### **NOTE 8**

The company has entered into employment contracts with two key employees, Vice-President Operations and Vice-President Marketing. The contracts which commenced February 1, 1967, extend for five years and provide for stock options (as set out in Note 2) salaries and commissions.

#### **NOTE 9**

The company has changed its method of accounting for development, pre-production and all other expenses. All costs incurred during the year have been charged to operations. For purposes of comparison all 1967 development, pre-production and all other costs have been re-classified as a charge to operations and the total deferred development costs at December 31, 1966 have been charged to deficit.

#### **NOTE 10**

The amounts shown in these financial statements are expressed in Canadian funds. U.S. funds have been converted at \$1.08 Canadian.

#### **NOTE 11**

The company has entered into an agreement for ten years from September 30, 1965 under which Allen Investments Ltd. will provide management and distribution services for consideration of a management fee of \$1,000 per month and \$10 for each machine sold or leased on the first 2,000 machines sold during each year and \$8 per machine thereafter.

# CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(And its wholly-owned subsidiary Captain International Industries Inc.)

## CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u> (Note 9)
<b>INCOME:</b>		
Net sales .....	\$ 190,875	\$ 48,801
Rental income .....	33,616	—
	<u>224,491</u>	<u>48,801</u>
<b>COSTS AND EXPENSES:</b>		
Cost of sales and costs relating to rentals		
including production start-up costs .....	328,583	58,783
Selling .....	241,005	147,972
Administrative and general.....	330,647	155,842
Research and development.....	66,646	2,514
	<u>966,881</u>	<u>365,111</u>
OPERATING LOSS.....	<u>742,390</u>	<u>316,310</u>
INTEREST INCOME -- Net.....	43,219	2,550
NET LOSS FOR THE YEAR — Note 9.....	<u>699,171</u>	<u>313,760</u>
DEFICIT AT JANUARY 1 — Note 9.....	606,790	293,030
DEFICIT AT DECEMBER 31.....	<u>\$ 1,305,961</u>	<u>\$ 606,790</u>

The notes to the financial statements are an integral part thereof.

# CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(And its wholly-owned subsidiary Captain International Industries, Inc.)

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1968**

(with comparative figures for 1967)

The notes to the financial statements are an integral part thereof.

# Where to meet your "BELL CAPTAIN"



## HILTON INTERNATIONAL

* Caribe Hilton	Puerto Rico
* Curacao Hilton	Netherlands Antilles
* Dorado Hilton	Puerto Rico
* Jamaica Hilton	West Indies
* Mayaguez Hilton	Puerto Rico
San Jeronimo Hilton	Puerto Rico
* Virgin Isle Hilton	Virgin Islands
** Zurich Hilton	Switzerland

## DUTCH INNS \*\*\*

** Dutch Inn	Galilee, Rhode Island
Dutch Inn	Hendersonville, N.C.
* Dutch Inn	Martinsville, Virginia
Dutch Inn	Monterey, California
Dutch Inn	Puerto Rico
Georgetown Manor	Washington, D.C.

## ESSO MOTOR HOTELS

Esso Motor Hotel	Amsterdam, Netherlands
Esso Motor Inn	Maidenhead, England

## TRAVELODGE CORPORATION

* Travelodge	Hilo, Hawaii
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## HOTEL CORPORATION OF AMERICA

Charter House	Lynn, Massachusetts
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## INTER-CONTINENTAL HOTELS

* Inter-Continental Curacao	Netherlands Antilles
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## QUALITY COURTS

Quality Court In Town	Scranton, Pennsylvania
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## CONTINENTAL INNS OF AMERICA

Hilltop Motor Inn	Baltimore, Maryland
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**\*\* Latham Hotel**

## Philadelphia, Pennsylvania

\* La Concha

Puerto Rico

Bristol Motor Inn	Bristol, Pennsylvania
* Cal-Neva Lodge	Lake Tahoe, Nevada
** Camelot Inn	Poughkeepsie, New York
** Caribbean Condominium Hotel	Puerto Rico
Causaway Inn	Tampa, Florida
Chanticleer Inn	Eagle River, Wisconsin
* Chula Vista Hotel	Wisconsin Dells, Wisconsin
* Dartmoor Motor Inn	Fond du lac, Wisconsin
Downtown Motel	Rhineland, Wisconsin
Dupont Plaza	Miami, Florida
Executive Inn	Sheboygan, Wisconsin
* Grapetree Bay Hotel	Virgin Islands
* LaSalle Hotel	Montreal, Quebec
Miami Airways Hotel	Miami, Florida
* Racquet Club	Puerto Rico
Regency Hotel	Puerto Rico
* Safari Motel	Milwaukee, Wisconsin
Simwestco Hotel	Newfoundland
Skyline Hotel	Newfoundland
** Walbers-on-the-Delaware	Delaware

\* — Installations not completed

\*\* - Hotel/Motel under construction

\*\*\* — 2,544 units scheduled for future Dutch Inns construction.

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